

This Week in Washington

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Tax Season

Currently, Americans work from January 1 until July 1st to pay off his or her share of the tax burdens of government at the local, state, and federal levels. Individuals work until May 10th just to pay federal taxes. Americans should not have to work half the year just to pay for the functions of the government.

In 2002 individuals, businesses and non-profits spent an estimated 5.8 billion hours complying with the federal income tax code, with an estimated compliance cost of over \$194 billion.

A report from the Internal Revenue Service points out that on average, individual taxpayers spend 17 hours preparing and filing their federal taxes every year. In total, over 2 billion hours are consumed every year just to prepare federal tax returns and the average cost per person for completing their income tax return is \$662.

The total tax burden on Americans is-and will remain-at near-record levels. These numbers are unacceptable and I will continue to work for significant tax reductions and tax reforms.

For more information regarding tax relief and economic growth visit www.heritage.org.

Toll Free Services From IRS for Individuals

New on the IRS.gov web site is "Where's My Refund?" Taxpayers can easily check the status of their refunds by using the following information found on their return:

Taxpayer's name (on a joint return, the first listed); Social Security Number (on a joint return, the first listed); Filing status (single, head of household, married filing jointly, married filing separately, or qualifying widow(er) with dependent child); Refund amount claimed.

"Where's My Refund?" also can tell taxpayers if the IRS has received their tax return. It can let them know if there is a problem and how to resolve the problem. For those who do not use direct deposit, the "Where's My Refund?" feature also can tell taxpayers if the IRS was unable to deliver their refund through the mail.

Refund Hotline (New) 800-829-1954

Tele-Tax System 800-829-4477

Extension to File - Tele-File System 888-796-1074

For more information visit www.irs.gov

Congress Passes Blue Star Banner and Gold Star Resolution

The House passed **H. Con.Res. 109** on April 1, 2003 with a 418-0 vote. This resolution expresses the sense of the Congress regarding the Blue Star Banner and the Gold Star.

- The Resolution encourages families with loved ones in our armed services to proudly display the Blue Star Banner, or if a loved one has made the ultimate sacrifice, the Gold Star.
- It recognizes that military service during wartime requires dedication and sacrifice by both the member of the Armed Forces and by the family who awaits their safe return.

TO OBTAIN A BANNER:

Banners can be downloaded for free from the American Legion's website at www.legion.org or through the Blue Star Mother's website at www.bluestarmothers.org. They can also be purchased through the American Legion's website www.legion.org, as well as at www.serviceflags.com. *(Please visit page two for more information)*

Free 2003 IRS E File

On October 30, 2002, the Internal Revenue Service and the Department of the Treasury announced a new public/private partnership agreement that permits tax software companies to offer free online tax preparation and e-filing services to at least 60 percent of taxpayers (i.e. 78 million taxpayers). The free service will be available throughout the 2003 filing season. The partnership is known as the Free File Alliance, LLC.

The IRS' goal is to have 80% of all tax forms filed electronically by 2007.

Electronic filing provides the following benefits:

Get a fast refund in half the time of a paper return and with direct deposit, it can be as few as 10 days.

Sign electronically and file a completely paperless return. Receive electronic proof of receipt of your return within 48 hours.

Pay your taxes electronically by authorizing an electronic funds withdrawal from your checking or savings account, or by credit card.

E-filed returns have an error rate of less than 1 percent. The chance of being selected for an audit is no different whether the return is filed electronically or on paper.

For more information, visit www.irs.gov

This Week in Washington cont.

Important 2002 Tax Changes

The following changes are among the most significant affecting individual taxpayers in the 2003 filing season:

Eased Burden for Interest and Dividend Income – The threshold for filing Schedule B of Form 1040 and Schedule 1 of Form 1040A has been raised to \$1,500. Now only taxpayers with taxable interest or ordinary dividends of more than \$1,500 will have to file these schedules. As a result of this change, the IRS estimates that 15 million fewer taxpayers will need to file these schedules. The previous threshold, in place since 1974, was \$400.

New 10-Percent Tax Rate – The new 10-percent tax rate is reflected in the 2002 Tax Table and Tax Rate Schedules. This new rate applies to the first \$6,000 of taxable income (\$10,000 for a head of household; \$12,000 for married filing jointly or qualifying widow(er)).

Tax Rates Reduced – Tax rates above 15 percent are lower by another one-half a percentage point, reflecting the continuing reduction of rates under the Economic Growth and Tax Relief Reconciliation Act of 2001. Thus, these rates are 27%, 30%, 35% and 38.6% for 2002.

Clean-Fuel Vehicle Deduction – A deduction of up to \$2,000 is now available for certain hybrid gas-electric motor powered vehicles that have been certified by the IRS as meeting the provisions of the clean-fuel vehicle deduction section of the tax code.

Standard Mileage Rates – Taxpayers may deduct 36.5 cents a mile for all business miles driven during 2002. Taxpayers may deduct travel related to qualified medical and moving expenses at a rate of 13 cents a mile.

Student Loan Interest Deduction – The interest paid in 2002 on qualified student loans may now be deducted regardless of the age of the loan. Prior to 2002, only payments made in the first 60 months qualified. The modified adjusted gross income limit for this deduction is also increased.

Higher Contribution Limits for Roth and Traditional IRAs – For 2002, taxpayers may contribute up to \$3,000 (\$3,500 if age 50 or older at the end of 2002) to either traditional or Roth IRAs. This figure is an increase from a \$2,000 limit in the prior year. Contributions for 2002 can be made until the due date for filing your return for that year not including extensions. For most taxpayers, this means that contributions must be made by April 15, 2003.

New Tax Calculators

Heritage Tax Calculator www.heritage.org/Research/Features/Taxcalculator/
Find out how much the President's new tax proposals will save you.

Tax Dividend Calculator www.townhall.com/calculator.html

Information on how to calculate personal savings if double-taxation on stock dividends is ended.

Marriage Tax Relief Calculator www.heritage.org/research/features/taxrelief/index.cfm

If you are married and both you and your spouse work, do you know that the IRS is penalizing you?

Armed Forces Tax Information

To view a copy of the Armed Forces' Tax Guide for use in preparing 2002 returns, visit <http://www.irs.gov/formspubs/lists/0,,id=97819,00.html> and select Publication 3.

Displaying the Blue Star Banner and Gold Star

The resolution asks military families to display a Blue Star Banner in their windows/ outside their homes in recognition of their son/ daughter/husband/wife, etc. who is serving in Operation Iraqi Freedom. The blue star would be changed to gold, if that person is killed. The initiative began in WWI.

Many organizations, including the Blue Star Mothers of America, American Gold Star Mothers, and Gold Star Wives of America, have also been founded and named in the tradition of the symbolism of the Blue Star Banner and Gold Star. They have never forgotten the sacrifices their loved ones made, and that many continue to make.

The Blue Star Banner and the Gold Star are the official service flags authorized by the Department of Defense, on December 1, 1967, in accordance with an Act of Congress (36 U.S.C. 179-182), which authorized a service flag.

WHO IS AUTHORIZED TO DISPLAY THE BANNER:
"The service flag authorized by the Act may be displayed in a window of the place of residence of persons who are members of the immediate family of a person serving in the Armed Forces of the United States during any period of war or hostilities in which the Armed Forces of the United States may be engaged, for the duration of such period of war or hostilities." (From Department of Defense Directive 1348.20)